Sunway (SWB MK)

Solidifying Singapore Presence Via MCL Acquisition

BUY (Maintained)	
Share Price	RM5.35
Target Price	RM6.00
Upside	12.1%

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Highlights

- Acquiring MCL Holdings for a consideration of S$738.7m, implying a PE of 19x and PB of 1.03x, similar to its Singapore peer valuation.
- We revise our earnings forecast by +7%/6% respectively for 2025-26, with target completion in 4Q25.
- Maintain BUY and lift target price to RM6.00 as we incorporate the latest GDV and narrow property RNAV discount to 5% on more active involvement in its Singapore projects.

Analysis

- **Expanding presence in Singapore via MCL acquisition.** On 18 Sep 25, Sunway Bhd (Sunway) announced to acquire Hongkong Land (MCL) Holdings (MCL Holdings), for a consideration of S$738.7m (c.RM2.4b) which will be funded entirely via borrowings. While proforma net gearing will increase from 0.41x to 0.55x, management expects that to improve in 2026 due to: a) cash generation (c.S$300m) from MCL Holdings' ongoing projects which are at the advanced stage, and b) revaluation gains from its healthcare listing. MCL has no debt while cash stands at S$30.3m for working capital. The acquisition is targeted for completion in 4Q25.
- **Strategically sound deal.** The acquisition implied PE of 19x (based on 2024 PATMI of RM123.6m) is largely around Singapore property peers (UOL/City Development 19x/18x PE), and implied PB of 1.03x (based on adjusted NAV of S$720.7m, vs UOL/City Development 0.9x/0.7x PB). Overall, we view the deal strategically sound and purchase consideration as fair (acquiring for adjusted NAV of S$720.7m + deferred consideration of S$18m depended on MCL's certain sales target achievement), due to: a) immediate earnings boost from ongoing projects, and b) access to experienced management team of MCL Holdings.
- **Implications for its existing JV partnerships.** Sunway will continue to explore JV opportunities with Hoi Hup (which prefers Executive Condos), while noting that Sing Holdings prefers to have one project each time (Chuan Grove). Going forward, Sunway will be more active in directly tendering for land parcels, especially for integrated development, which subsequently motivates existing employees. The focus will be on mid-affluent residential segment in Singapore, targeting the S$2,000-2,600psf price range. In Singapore, net margins of MCL Holdings projects is similar to Sunway's existing projects at low-teens.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	6,136.2	7,882.5	9,788.9	10,331.1	11,469.4
EBITDA	808.0	1,031.4	1,352.6	1,568.4	1,787.5
Operating profit	666.6	887.3	1,152.7	1,328.0	1,503.7
Net profit (rep./act.)	789.2	1,154.2	1,043.3	1,254.7	1,354.1
Net profit (adj.)	750.6	1,005.8	1,043.3	1,254.7	1,354.1
EPS (sen)	12.6	15.1	15.7	18.8	20.3
PE (x)	42.3	35.4	34.2	28.4	26.3
P/B (x)	2.3	2.4	2.3	2.2	2.1
EV/EBITDA (x)	48.5	37.0	29.9	26.2	23.4
Dividend yield (%)	1.0	1.1	1.2	1.4	1.5
Net margin (%)	12.2	12.8	10.7	12.1	11.8
Net debt/(cash) to equity (%)	53.1	43.5	55.8	56.1	57.4
Interest cover (x)	11.4	164.3	10.0	9.9	15.1
ROE (%)	7.0	9.0	9.0	10.5	11.0
Consensus net profit	-	-	1,058.0	1,174.0	1,293.0
UOBKH/Consensus (x)	-	-	1.0	1.1	1.0

Source: Sunway Berhad, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	**Industrials**
Bloomberg ticker:	SWB MK
Shares issued (m):	6,225.4
Market cap (RMm):	33,305.7
Market cap (US$m):	7,935.6
3-mth avg daily t'over (US$m):	9.7

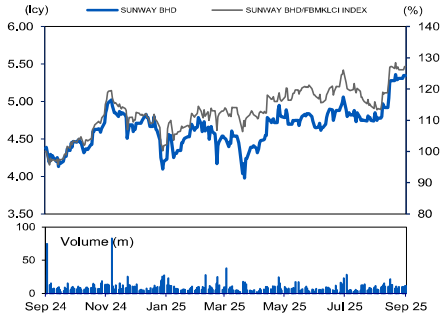
Price Performance (%)

52-week high/low	**RM5.45/RM3.93**

Major Shareholders

	%
Sungei Way Corp Sdn Bhd	45.5
Jef-San Enterprise Sdn Bhd	10.2
EPF	8.2
FY25 NAV/Share (RM)	1.25
FY25 Net Debt/Share (RM)	0.41

Price Chart



Source: Bloomberg

Company Description

A conglomerate in Malaysia with various diversified businesses in areas such as property development, property investment, leisure, hospitality, construction trading and manufacturing, quarry, building materials and healthcare.

- **Malaysia development portfolio:** MCL Holdings has three ongoing projects in Malaysia, Quinn Residence (100% take up), Sfera Residence (74% take up), and Forest Heights (57%-91% take up; 50% JV with UEMS) with a total of RM684m in GDV. It holds landbank for future development, including 3m sf in Wangsa Maju and 4m sf in Seremban.
- **Redevelopment of Wangsa Walk mall before injecting into REITs.** In Malaysia, MCL Holdings owns Wangsa Walk Mall in KL (occupancy rate: 99%, rental yield: 6.4-6.5%, rental rate: RM6-7psf) with a net lettable area of 350,000 sf. There are plans to redevelop or expand the mall, potentially incorporating a hospital component, prior to injecting to the REIT, as current plot ratio can go up to 4.0x (vs current 0.9x).
- **Singapore development portfolio:** MCL Holdings has five ongoing projects across OCR and RCR in Singapore, with total GDV of RM9.7b and average price of S$2,500-2,600psf. Projects are namely Piccadilly Grand and Copen Grand (100% take up; 50% JV with City Developments), Tembusu Grand (95% take up; 49% JV with City Developments), Nava Grove (85% take up; 50% JV with Sinarmas Land), and ELTA (68% take up; 51% JV with CSC Land).
- **Significant boost to GDV and unbilled sales.** After the acquisition, Sunway's GDV pipeline will increase to RM15.3b (+174%). Total unbilled sales will rise to RM7.8b (+111%), driven by Singapore at RM5.9b (+194%).

Valuation/Recommendation

- **Maintain BUY with higher target price of RM6.00 (from RM5.70)** as we incorporate the additional GDV of RM9.7b from Singapore and RM684m from Malaysia, which is expected to be developed over 3-5 years and 3 years respectively. We also narrow our discount to property RNAV from 7% to 5% as we believe the company will be more active in managing its Singapore projects. Our target price is based on SOTP valuation and implies 32x 2026F PE and 30x 2027F PE (+2SD above its five-year mean of 15.6x) and 2.4x 2026F PB (+2SD above its 10-year mean of 1.2x). We remain upbeat on Sunway for its upcoming healthcare listing in 1Q26, with an approximately 3% distribution yield via distribution-in-specie of Sunway Healthcare shares.

Earnings Revision/Risk

- Management expects MCL Holdings' earnings to remain flattish over 2024-26 at RM123.6m. Incorporating a one-off expense of RM4.2m for the acquisition and recurring interest expense of RM52.1m (2.2% interest rate on the additional RM2.4b borrowings), we revise our Sunway's 2025/26 earnings up by 7%/6% respectively.

Environmental, Social, Governance (ESG)

Environmental

- Installed photovoltaic solar panels at most of its properties.

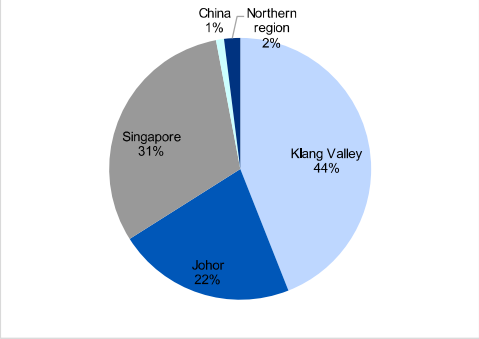
Social

- Launched Sunway Cancer Support Fund.

Governance

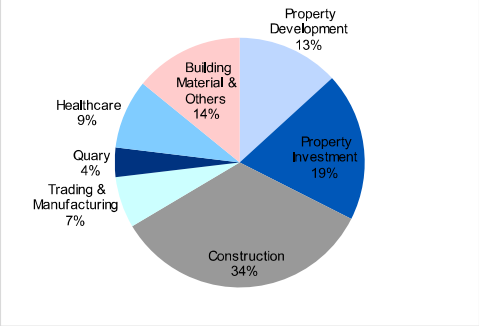
- Good company transparency along with an anti-bribery and anti-corruption policy.

Property Sales By Geography In 1H25



Source: Sunway Berhad, UOB Kay Hian

PBT Breakdown In 2Q25



Source: Sunway Berhad, UOB Kay Hian

Sotp-Based Valuation

Segment	(RMm)	% of SOTP	Remarks
Property development	14,075	35%	5% discount to property RNAV
REIT (40.9% stake)	2,871	7%	Valuation based on TP of RM2.05, based on DDM
Construction (54.4% stake)	4,410	11%	Valuation based on TP of RM6.27, 21x 2026F PE
Quarry & building materials	462	1%	15x PE 2026F quarry profits
Trading	1,092	3%	15x PE 2026F trading profits
Investment Properties	3,390	9%	Market Value
Healthcare (84% stake)	13,800	35%	25x EV/EBITDA 2026F; 2026F EBITDA RM657m
Less: Holding co (debt)/ cash	-292	-1%	
Total SOTP value	**39,806**		
Enlarged share base (m)	6,660		
Target Price (RM)	**6.0**		

Source: Sunway Berhad, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	7,882.5	9,788.9	10,331.1	11,469.4
EBITDA	1,031.4	1,352.6	1,568.4	1,787.5
Deprec. & amort.	144.1	199.9	240.4	283.8
EBIT	887.3	1,152.7	1,328.0	1,503.7
Associate contributions	643.1	431.7	510.6	448.1
Net interest income/(expense)	(6.3)	(135.4)	(158.9)	(118.7)
Pre-tax profit	1,524.1	1,449.0	1,679.6	1,833.1
Tax	(241.8)	(289.8)	(285.5)	(311.6)
Minorities	(128.0)	(115.9)	(139.4)	(167.4)
Net profit	1,154.2	1,043.3	1,254.7	1,354.1
Net profit (adj.)	1,005.8	1,043.3	1,254.7	1,354.1

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	6,370.1	7,376.1	7,913.2	8,481.5
Other LT assets	10,349.6	10,781.3	11,291.9	11,740.0
Cash/ST investment	4,355.7	4,561.9	4,090.8	3,409.4
Other current assets	10,435.0	11,767.0	12,277.8	13,350.2
Total assets	31,510.4	34,486.4	35,573.7	36,981.1
ST debt	5,971.8	5,971.8	5,971.8	5,971.8
Other current liabilities	3,944.7	3,778.8	3,973.9	4,401.4
LT debt	4,905.4	7,305.4	7,305.4	7,305.4
Other LT liabilities	750.8	750.8	750.8	750.8
Shareholders' equity	14,990.4	15,616.4	16,369.2	17,181.6
Minority interest	947.2	1,063.2	1,202.6	1,369.9
Total liabilities & equity	31,510.4	34,486.4	35,573.7	36,981.1

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	1,574.1	(899.1)	967.2	831.0
Pre-tax profit	1,524.1	1,449.0	1,679.6	1,833.1
Tax	(241.8)	(289.8)	(285.5)	(311.6)
Deprec. & amort.	144.1	199.9	240.4	283.8
Associates	(643.1)	(431.7)	(510.6)	(448.1)
Working capital changes	330.7	(1,961.9)	(315.7)	(644.8)
Non-cash items	460.2	135.4	158.9	118.7
Investing	(26.3)	(742.0)	(777.5)	(852.2)
Capex (growth)	(427.7)	(642.0)	(677.5)	(752.2)
Investments	0.3	(100.0)	(100.0)	(100.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	401.1	0.0	0.0	0.0
Financing	572.5	1,847.3	(660.8)	(660.3)
Dividend payments	(297.5)	(417.3)	(501.9)	(541.6)
Issue of shares	217.4	0.0	0.0	0.0
Proceeds from borrowings	1,340.2	2,400.0	0.0	0.0
Others/interest paid	(687.5)	(135.4)	(158.9)	(118.7)
Net cash inflow (outflow)	2,120.4	206.2	(471.1)	(681.5)
Beginning cash & cash equivalent	2,235.3	4,355.7	4,561.9	4,090.8
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	4,355.7	4,561.9	4,090.8	3,409.4

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	13.1	13.8	15.2	15.6
Pre-tax margin	19.3	14.8	16.3	16.0
Net margin	12.8	10.7	12.1	11.8
ROA	4.0	3.9	4.6	4.9
ROE	9.0	9.0	10.5	11.0
Growth				
Turnover	28.5	24.2	5.5	11.0
EBITDA	27.6	31.1	16.0	14.0
Pre-tax profit	53.4	(4.9)	15.9	9.1
Net profit	46.3	(9.6)	20.3	7.9
Net profit (adj.)	34.0	3.7	20.3	7.9
EPS	19.5	3.7	20.3	7.9
Leverage				
Debt to total capital	68.2	79.6	75.6	71.6
Debt to equity	72.6	85.0	81.1	77.3
Net debt/(cash) to equity	43.5	55.8	56.1	57.4
Interest cover (x)	164.3	10.0	9.9	15.1

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